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BEFORE THE ARIZONA CORPORATION COMMISSION

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Arizona Corporation Commission

DOCKETED

AUG 30 2011

COMMISSIONERS

AZ CORP COMMISSION
DOCKET CONTROL

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

DOCKETED BY

In the matter of:

DOCKET NO. S-20726A-10-0062

David E. Walsh and Lorene Walsh,
respondent and spouse, doing business as New
York Networks, Inc., a dissolved Delaware
corporation formerly known as Jubilee
Acquisition Corporation and as Caliper
Acquisition Corporation, The New York Network,
Inc., a revoked Nevada corporation, and The New
York Networks, Inc., an entity of unknown origin,

**NOTICE OF FILING SECURITIES
DIVISION'S RECOMMENDED
FINDINGS OF FACT, CONCLUSIONS
OF LAW, AND ORDER RE:
RESPONDENT DAVID E. WALSH**

Christopher A. Jensen and Julie Shayne Jensen,
respondent and spouse,

Rodolfo Preciado and Jane Doe Preciado
respondent and spouse,

Respondents.

The Securities Division of the Arizona Corporation Commission hereby files the attached
Recommended Findings of Fact, Conclusions of Law, and Order Re: Respondent David E. Walsh
("Proposed Order") for consideration by the Administrative Law Judge. In addition, an electronic
copy of the Division's Proposed Order was emailed to the Hearing Division on this date.

RESPECTFULLY SUBMITTED this 30th day of August, 2011.

ARIZONA CORPORATION COMMISSION
SECURITIES DIVISION

William W. Black
Assistant Chief Counsel of Enforcement

1 **ORIGINAL and 8 COPIES** of the foregoing
2 filed this 30th day of August 2011 with:

3 Docket Control
4 Arizona Corporation Commission
5 1200 W. Washington St.
6 Phoenix, AZ 85007

7 **COPY** of the foregoing hand-delivered
8 this 30th day of August, 2011 to:

9 Administrative Law Judge Marc E. Stern
10 Hearing Division
11 Arizona Corporation Commission
12 1200 W. Washington St.
13 Phoenix, AZ 85007

14 **COPY** of the foregoing mailed
15 this 30th day of August, 2011 to:

16 David E. Walsh
17 540 Brickell Key Drive, Unit 1024
18 Miami, FL 33131

19 By *David Walsh*

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

GARY PIERCE, Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

In the matter of:

DOCKET NO. S-20726A-10-0062

David E. Walsh and Lorene Walsh,
respondent and spouse, doing business as
New York Networks, Inc., a dissolved
Delaware corporation formerly known as
Jubilee Acquisition Corporation and as
Caliper Acquisition Corporation, The New
York Network, Inc., a revoked Nevada
corporation, and The New York Networks,
Inc., an entity of unknown origin,

DECISION NO. _____

**RECOMMENDED FINDINGS OF FACT,
CONCLUSIONS OF LAW, AND ORDER RE:
RESPONDENT DAVID E. WALSH**

Christopher A. Jensen and Julie Shayne
Jensen, respondent and spouse,

Rodolfo Preciado and Jane Doe Preciado
respondent and spouse,

Respondents.

DATE OF HEARING: July 11, 2011

PLACE OF HEARING: Phoenix, Arizona

PRESIDING OFFICER: Marc E. Stern

APPEARANCES: Securities Division of the Arizona Corporation Commission
represented by William W. Black

BY THE COMMISSION:

On February 19, 2010, the Securities Division ("Division") of the Arizona Corporation
Commission ("Commission") filed a Notice of Opportunity for Hearing regarding a Proposed
Order to Cease and Desist, For Restitution, For Administrative Penalties and For Other Affirmative
Action ("Notice") against David E. Walsh ("Walsh") and Lorene Walsh, husband and wife, doing

1 business as New York Networks, Inc., a dissolved Delaware corporation formerly known as Jubilee
2 Acquisition Corporation and as Caliper Acquisition Corporation; The New York Network, Inc. a
3 revoked Nevada corporation; and The New York Networks, Inc., an entity of unknown origin;
4 Christopher A. Jensen and Julie Shayne Jensen, husband and wife, and Rodolfo Preciado and Jane
5 Doe Preciado¹, husband and wife, in which the Division alleged multiple violations of the Arizona
6 Securities Act ("Act") in connection with the offer and sale of securities in the form of stock.

7 Respondents Walsh, Christopher A. Jensen, Julie Shayne Jensen, Rodolfo Preciado and
8 Linda Preciado were duly served with copies of the Notice.²

9 On March 8, 2010, a request for hearing was filed by Respondents Christopher A. Jensen,
10 Julie Shayne Jensen, and Rodolfo Preciado. On March 26, 2010 an answer was filed by
11 Respondents Christopher A. Jensen, Julie Shayne Jensen, Rodolfo Preciado and Linda Preciado.
12 On March 28, 2010, a request for hearing was filed by Respondent Linda Preciado. On June 14,
13 2010, an answer was filed by Respondent David E. Walsh. On August 2, 2010, a request for
14 hearing was filed by Respondent David E. Walsh.

15 On March 30, 2011, by the Eighth Procedural Order, a hearing was scheduled for July 11,
16 2011, at 10:00 a.m. at the Commission's office, 1200 West Washington Street, Hearing Room 1,
17 Phoenix, Arizona.

18 On June 22, 2011, Respondents Christopher A. Jensen, Julie Shayne Jensen, Rodolfo
19 Preciado and Linda Preciado, entered into an Order to Cease and Desist, Order for Restitution,
20 Order for Administrative Penalties and Consent to Same, which was approved by the Commission
21 on June 16, 2011 and docketed on June 22, 2011 as Decision No. 72424.

22 On July 11, 2011, a hearing was conducted before administrative law judge Marc E. Stern
23 as to Respondent Walsh. The Division was represented by counsel. No one appeared on behalf of
24 Respondent Walsh. In support of the allegations set forth in the Notice, the Division introduced the

25 ¹ The wife of Rodolfo Preciado was subsequently identified as Linda Preciado

26 ² Lorene Walsh, a California resident, has not been served with a copy of the Notice and she has not requested a
hearing or otherwise participated in these proceedings. As a result, the Division requests that she be dismissed.

1 following exhibits into evidence: S-1 through S-11, S-13, and S-15 through S-29. The Division
2 also called investors Jamie Lee Meyer and Tom Wolvos, M.D. and expert witness Sean M.
3 Callahan, a certified public accountant. At the conclusion of the proceedings, it was indicated that
4 the Division would file this proposed Recommended Findings of Fact, Conclusions of Law and
5 Order no later than September 1, 2011.

6 Having considered the entire record herein and being fully advised in the premises, the
7 Commission finds, concludes and orders that:

8 **I.**

9 **FINDINGS OF FACT**

10 1. This matter involves three corporations that are referred to in various forms as "New
11 York Networks, Inc.," "The New York Network, Inc.," and "The New York Networks, Inc." One
12 entity was a Nevada corporation ("NYN-Nevada") and the other two were Delaware shell or shelf
13 corporations ("NYN-Caliper" and NYN-Jubilee") purchased from an attorney in Washington, D.C.,
14 James Cassidy. (*Ex. S-4 at pg. 174, ln. 11 to pg. 176, ln. 11; Ex. S-29 at pg. 3, ¶4*)

15 2. Walsh controlled NYN-Nevada and NYN-Jubilee and either owned or controlled
16 NYN-Caliper as a shareholder, director, or officer. (*Ex. S-4 at pg. 174, ln. 11 to pg. 176, ln. 11; Exs.*
17 *S-15, S-17, S-23, S-24 & S-29 at pg. 12, ¶33; Tr. at pg. 44, lns. 1-6*)

18 3. In the presentations to and discussions with investors described below, there were no
19 distinctions made between the various New York entities related to which entities common stock
20 was being offered to prospective investors for purchase. (*Ex. S-1 at pg. 30, lns. 6-16; Ex. S-4 at pg.*
21 *241, lns. 10-22*)

22 4. Walsh and the sales agents retained by him, Christopher A. Jensen ("Jensen") and
23 Rodolfo Preciado ("Preciado"), had no pre-existing relationship with many of the prospective
24 investors who were offered common stock for purchase. (*Ex. S-28 at pg. 2; Ex. S-29 at pg. 13,*
25 *¶35; Tr. at pg. 17, lns. 3-6; Tr. at pg. 100, ln. 23 to pg. 101, ln. 9*)

1 5. Mad Engine, Inc. is a California corporation that was formed in April 1987 for the
2 purpose of owning apparel manufacturing operation and retail distribution centers. The company
3 mainly produces T-shirts, knit tips, jackets, pajamas and private labels. Sadik Albert Amato was the
4 president of Mad Engine. (*Ex. S-5 at pg. 192, lns. 2-20; Ex. S-18*)

5 6. In 2004 or early 2005, Walsh, through NYN-Nevada, began attempting to acquire a
6 publicly-recorded corporation for the purpose of merging NYN-Nevada into the newly purchased
7 shelf corporation. For this purpose, Walsh purchased a shelf corporation (NYN-Jubilee) and
8 changed the name to New York Networks, Inc. (referred to herein as "NYN-Jubilee"). (*Ex. S-4 at*
9 *pg. 174, ln. 11 to pg. 176, ln. 3*)

10 7. Amato and Walsh entered into a stock purchase agreement. According to the
11 agreement, Walsh would purchase the stock of Mad Engine for \$17.5 million in cash, and another
12 \$17.5 million in NYN-Jubilee stock to be transferred to Amato. (*Ex. S-4 at pg. 176, ln. 25 to pg.*
13 *177, ln. 22; Ex. S-5 at pg. 193, lns. 2-8*)

14 8. Later, it was decided that the stock purchase agreement would not be used and that a
15 second shelf corporation would be purchased. The shelf company purchased was Caliper
16 Acquisition Corporation ("NYN-Caliper"). The New York Networks, Inc. name was retained as the
17 name of the new corporation. Like NYN-Jubilee, NYN-Caliper was to acquire Mad Engine and
18 NYN-Nevada. (*Ex. S-4 at pg. 180, ln. 14 to pg. 182, ln. 17*)

19 9. Walsh and Amato agreed that initial start up costs of \$1,000,000 to \$1,500,000 had
20 to be raised before a public offering could be initiated. (*Ex. S-4 at pg. 194, ln. 15 to pg. 195, ln. 24;*
21 *Ex. S-5 at pg. 203, lns. 8-15*)

22 10. Walsh retained Jensen, who owned Gold Stake Enterprises, a public relations
23 marketing firm, to assist in raising the necessary start up costs. (*Ex. S-4 at pg. 197, ln. 24 to pg. 198,*
24 *ln. 22; Ex. S-5 at pg. 210, lns. 13-20*)

25 11. Jensen subsequently retained Preciado to assist Walsh and Jensen in raising the
26 necessary start up costs. (*Ex. S-2 at pg. 22, ln. 15 to pg. 23, ln. 20*)

1 12. Jensen and Preciado's role, in part, was to organize lunch and dinner meetings,
2 during which presentations were to be made to potential investors by Walsh for Mad Engine and/or
3 NYN-Caliper and by the owners of two other companies, Tempest Microsystems and Bouldin
4 Corporation. (*Ex. S-26*)

5 13. Investor presentations were held throughout the United States including in Arizona,
6 California, Nevada, Utah, Florida, Illinois and New York. These presentations were attended by
7 Walsh, Jensen and/or Preciado and were intended to offer to investors an opportunity to purchase
8 common stock in NYN-Caliper. (*Ex. S-1 at pg. 80, ln. 17 to pg. 84, ln. 22; Ex. S-6*)

9 14. In September 2006, prospective investors attended an informational meeting
10 regarding what was described as a potentially lucrative investment opportunity. The meeting was
11 held at the Ritz Carlton hotel in Phoenix, Arizona. During the meeting, Walsh made a
12 presentation regarding New York Networks, Inc. (*Ex. S-11; Tr. at pg. 13, lns. 11-25*)

13 15. Investors who attended the meeting were supplied with materials that offered for
14 purchase common stock in NYN-Caliper, including a confidential private placement
15 memorandum that explained that NYN-Caliper was on the verge of acquiring Mad Engine and
16 would make a public offering of securities immediately after the acquisition became final. (*Ex.*
17 *S-11; Tr. at pg. 15., lns. 2-10; Tr. at pg. 97, lns. 4-13*)

18 16. The information that was included in the confidential private placement
19 memorandum was supplied, in part, by Walsh. (*Ex. S-27*)

20 17. Walsh and his sales agents also solicited prospective Arizona investors via telephone
21 and in person at restaurants. (*Ex. S-1 at pg. 58, ln. 5 to pg. 59, ln. 5*)

22 18. Walsh explained to various investors that he was personally involved in closing the
23 deal for NYN-Caliper to acquire Mad Engine and complete a public offering, and that attendees
24 who invested in NYN-Caliper before it went public would get "very wealthy" after the public
25 offering was completed. (*Ex. S-11 at pg. 1*)

26

1 19. Investors were told that, while they were not guaranteed a specific return on their
2 investment, Walsh, Jensen, and Preciado could “almost guarantee it will double.” (*Id. at pg. 2*)

3 20. Investors were informed by Walsh, Jensen, and Preciado that the three companies for
4 which presentations had been given, Bouldin, Tempest and NYN-Caliper, would almost certainly go
5 public on or before December 31, 2006. (*Ex. S-2 at pg. 29, lns. 10-16; Tr. at pg. 24, lns. 3-11; Ex.*
6 *S-28 at pg. 3, ¶2; Ex. S-29 at pg. 13, ¶39*)

7 21. In 2007, investors participated in several informational conference calls that Walsh,
8 Jensen, and/or Preciado hosted. During these calls, investors were offered several explanations for
9 the delay in the public offering that they had been told would occur by December 2006, and were
10 assured that NYN-Caliper would still acquire Mad Engine, Inc. with the public offering to follow.
11 *Ex. S-1 at pg. 97, ln. 21 to pg. 98, ln. 8; Ex. S-2 at pg. 28, ln. 23 to pg. 29, ln. 16*)

12 22. Walsh, individually and through various sales agents, offered and sold
13 unregistered securities in the form of common stock and common stock purchase warrants
14 (“warrants”) to 18 Arizona investors in an amount totaling \$610,000. (*Exs. S-11, S-13, S-16, S-*
15 *22, and S-29 at p. 3 ¶3(a)*)

16 23. Although some investor funds were initially forwarded to an escrow account
17 controlled by James Cassidy, the Washington D.C. attorney from whom the shelf corporations
18 were initially purchased by Walsh, all funds invested were eventually forwarded to bank accounts
19 owned and controlled by Walsh. (*Tr. at pg. 46, ln. 10 to pg. 48, ln. 16*)

20 24. Walsh was the only signor on the bank accounts into which investor funds were
21 deposited. (*Tr. at pg. 43, lns. 14-25*)

22 25. In total Walsh received \$1,710,000 from investors located throughout the United
23 States. (*Ex. S-4 at pg. 229, ln. 24 to pg. 232, ln. 1; Ex. S-19; Tr. at pg. 49, lns. 8-25*)

24 26. The proceeds (\$1,710,000) received from investors for the sale of common stock
25 was not used to acquire Mad Engine, Inc. or complete a public offering. Instead, Walsh used the
26 funds for his own personal use and benefit in the form of, among other things, cash withdrawals

1 (\$190,217), payments to mortgage companies (\$447,300), credit cards (\$238,987) and transfers to
2 himself and his family members (\$541,050). (*Exs. S-19, S-20 & S-21; Tr. at pg. 65, ln. 21 to pg.*
3 *66, ln. 8*)

4 27. NYN-Caliper never acquired Mad Engine, Inc. and never completed a public
5 offering of stock. (*Ex. 5 at pg. 206, lns. 5-11*)

6 28. Walsh misrepresented to investors that the proceeds from the sale of common stock
7 and warrants would be used to acquire Mad Engine and complete a public offering. (*Ex. S-11 at pg.*
8 *1; Tr. at pg. 65, ln. 21 to pg 67, ln. 9; Tr. at pg. 102, lns. 3-7*)

9 29. Walsh misrepresented to investors that NYN-Caliper would go public by December
10 2006, increasing the value of common stock and warrants purchased by investors. (*Tr. at pg. 24,*
11 *lns. 3-11; Tr. at pg. 104, lns. 4-7; Ex. 5 at pg. 206, lns. 5-11; Ex. 28 at pg. 3, ¶2*)

12 30. Walsh failed to disclose to investors that he was utilizing investor funds for his own
13 personal use and benefit. (*Tr. at pg. 17, lns. 7-10; Tr. at pg. 102, lns. 3-7; (Exs. S-19, S-20 & S-21)*)

14 31. At all times material hereto, Walsh has not been registered as a dealer or securities
15 salesman. (*Ex. S-25*)

16 II.

17 CONCLUSIONS OF LAW

18 1. The Commission has jurisdiction over this matter pursuant to Article XV of the
19 Arizona Constitution and the Securities Act.

20 2. Respondent Walsh offered and sold securities within or from Arizona, within the
21 meaning of A.R.S. §§ 44-1801(15), 44-1801(21), and 44-1801(26).

22 3. Respondent Walsh violated A.R.S. § 44-1841 by offering or selling securities that
23 were neither registered nor exempt from registration.

24 4. Respondent Walsh violated A.R.S. § 44-1842 by offering or selling securities while
25 neither registered nor exempt from registration.

1 5. Respondent Walsh violated A.R.S. § 44-1991 by (a) employing a device, scheme, or
2 artifice to defraud, (b) making untrue statements or misleading omissions of material facts, or (c)
3 engaging in transactions, practices, or courses of business that operate or would operate as a fraud
4 or deceit.

5 6. Respondent Walsh's conduct is grounds for a cease and desist order pursuant to
6 A.R.S. § 44-2032.

7 7. Respondent Walsh's conduct is grounds for an order of restitution pursuant to
8 A.R.S. § 44-2032.

9 8. Respondents Walsh's conduct is grounds for administrative penalties under A.R.S. §
10 44-2036.

11 III.

12 ORDER

13 THEREFORE, on the basis of the Findings of Fact and Conclusions of Law, the Commission
14 finds that the following relief is appropriate, in the public interest, and necessary for the protection of
15 investors:

16 IT IS ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Walsh, and any of his
17 agents, employees, successors and assigns, permanently cease and desist from violating the
18 Securities Act.

19 IT IS FURTHER ORDERED that Respondent Walsh comply with this Order.

20 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2032, that Respondent Walsh shall
21 pay restitution to the Commission in the principal amount of \$610,000, which restitution shall be
22 made pursuant to A.A.C. R14-4-308 subject to legal set-offs of payments made by any
23 Respondents under Docket No. S-20726A-10-0062 and confirmed by the Director of Securities,
24 said restitution to be made within 60 days of the effective date of this Decision. Payment shall be
25 made to the "State of Arizona" to be placed in an interest-bearing account controlled by the
26 Commission. Any principal amount outstanding shall accrue interest at the lesser of ten percent per

1 annum or at a rate per annum that is equal to one per cent plus the prime rate as published by the
2 board of governors of the federal reserve system in statistical release H.15 or any publication that
3 may supersede it on the date that the judgment is entered.

4 The Commission shall disburse the funds on a pro-rata basis to investors shown on the
5 records of the Commission. Any restitution funds that the Commission cannot disburse because an
6 investor refuses to accept such payment, or any restitution funds that cannot be disbursed to an
7 investor because the investor is deceased and the Commission cannot reasonably identify and
8 locate the deceased investor's spouse or natural children surviving at the time of the distribution,
9 shall be disbursed on a pro-rata basis to the remaining investors shown on the records of the
10 Commission. Any funds that the Commission determines it is unable to or cannot feasibly disburse
11 shall be transferred to the general fund of the state of Arizona.

12 IT IS FURTHER ORDERED, pursuant to A.R.S. § 44-2036, that Respondent Walsh shall
13 pay an administrative penalty in the amount of \$75,000. Payment is due in full on the date of this
14 Order. Payment shall be made to the "State of Arizona." Any amount outstanding shall accrue
15 interest from the date of this Order until paid in full at the lesser of ten percent per annum or at a
16 rate per annum that is equal to one per cent plus the prime rate as published by the board of
17 governors of the federal reserve system in statistical release H.15 or any publication that may
18 supersede it on the date that the judgment is entered.

19 IT IS FURTHER ORDERED that payments received by the state of Arizona shall first be
20 applied to the restitution obligation. Upon payment in full of the restitution obligation, payments
21 shall be applied to the penalty obligation.

22 IT IS FURTHER ORDERED that Respondent Lorene Walsh is dismissed from this action
23 with prejudice.

24 IT IS FURTHER ORDERED, that if Respondent Walsh fails to comply with this order, the
25 Commission may bring further legal proceedings against him, including application to the superior
26 court for an order of contempt.

IT IS FURTHER ORDERED, that pursuant to A.R.S. § 44-1974, upon application the Commission may grant a rehearing of this Order. The application must be received by the Commission at its offices within 20 calendar days after entry of this Order. Unless otherwise ordered, filing an application for rehearing does not stay this Order. If the Commission does not grant a rehearing within twenty calendar days after filing the application, the application is considered to be denied.

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1 IT IS FURTHER ORDERED that this Order shall become effective immediately.

2 BY ORDER OF THE ARIZONA CORPORATION COMMISSION

3
4 _____
5 CHAIRMAN

COMMISSIONER

6
7 COMMISSIONER

COMMISSIONER

COMMISSIONER

8
9 IN WITNESS WHEREOF, I, ERNEST G. JOHNSON,
10 Executive Director of the Arizona Corporation Commission,
11 have hereunto set my hand and caused the official seal of the
12 Commission to be affixed at the Capitol, in the City of
13 Phoenix, this _____ day of _____, 2011.

14 _____
15 ERNEST G. JOHNSON
16 EXECUTIVE DIRECTOR

17 _____
18 DISSENT

19 _____
20 DISSENT

21 This document is available in alternative formats by contacting Shaylin A. Bernal, ADA
22 Coordinator, voice phone number 602-542-3931, e-mail sabernal@azcc.gov.

23 (wwb)

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David E. Walsh
540 Brickell Key Drive, Unit 1024
Miami, FL 33131